60 years and having retired on superannuation or otherwise) in Senior Citizens Savings Scheme, 2004 is eligible for higher rate of interest *i.e.,* 9 per cent per annum.

(d) The variation in the age limit for senior citizens is due to the difference in the purpose for grant of such concessions.

Development of infrastructure facilities

1552. SHRI SANJAY RAUT: Will the Minister of FINANCE be pleased to state:

(a) whether Government have received any recommendations from Investment Commission for the development of infrastructure facilities in the country;

(b) if so, the details thereof;

(c) whether Government are considering to accept their suggestions and recommendations to all round development of infrastructure facilities in the country; and

(d) if so, the details thereof and if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) and (b) Yes Sir, The Investment Commission (IC) in its report "Investment Strategy for India" of February, 2006 has made a set of broad recommendations to facilitate and improve the investment climate. The main recommendations are: (i) Remove/ reduce restriction on sector caps and entry route on sectors other than those considered "Strategic" (ii) Provide labour flexibility (iii) Promote SEZs for key sectors (iv) Provide a level playing field in sectors with PSU dominance (v)Eliminate scope for discretionary interpretation to stem corruption (vi) Establish effective mechanisms to resolve centre-state issues, and (vii) Create National Thrust Areas which include Tourism, Power, Textiles and Agro-processing. Sector specific recommendations in respect of infrastructure sectors are given in the statement (See below).

(c) and (d) The IC observed that as a result of their extensive investor interactions, many representations on policy/procedures or other impediments were resolved through reference to Government.

The recommendations of the Commission, which are more broad in nature, have been forwarded to the concerned administrative Ministries/ Departments. In February 2006, Government have also undertaken a major rationalization of the FDI policy and associated procedures to further improve the investment climate.

Statement

Sector specific recommendations in respect of infrastructure sectors

Recornmendation

The recommended strategy to enhance investment requires policy interventions at a sectoral level, especially for those sectors significant impediments. in addition, certain changes in policy and procedures that impact multiple sectors also need to be undertaken to improve the investment environment.

Sector specific recommendations

Based on the detailed sectoral analysis carried out by the Investment Commission the investment goal, impediments and recommendations for select sectors are presented in this section.

Infrastructure Sectors

Energy

Power

*Investment Goal-$ 140 billion by 2010

Sustained growth in power generation is fundamental to enabling economic growth. About 90,000 MW of new generation capacity is required by 2012, along with associated increase in transmission capacity and upgradation and expansion of distribution assets. An estimated investment of # 140 billion is required over a 5 year period. Based on current investment plans, only about $ 54 billion worth of investment appears likely at present leaving a gap of about $ 85 billion. Current and projected capacity addition plans of CPSUs, SEBs and private sector will still ieave an expected shortfall in generation 35,000 MW by 2012. It is strongly recommended that India's strategy for growth in power-generation should be coal based.

Impediments

* Poor financial health of the SEBs, resulting from power theft, high technical losses and free/subsidised power, is deterring investment in generation.
* Uncertainty of fuel availability
* India's large thermal coal reserves are not being leveraged—CIL operations result in supply shortages

Recommendations

* Establish 25—30 sites for mega projects with land acquired and with all approvals in place for a total of 35,000 MW with an estimated investment of over $ 30 billion.
* Combination of pithead coal based (of 2000, MW), coastal plants based on coal and gas (-1,000 MW each) and hydel of average 250 MW capacity.
* Coal to be the fuel of choice for setting up generation capacity.
* Ten year PPAs on competitive bidding on tariffs.
* In energy rich States, discourage policies that impose additional charges on generation and export of power.
* Improve output of existing assets—Reduce theft, Improve PLF, Operate idle plants, Increase hydel peaking capacities—could increase power availability by 11,000 MW.
* Expedite the implementation of large Hydel projects, by review of environmental norms/clearances, if necessary.
* Joint development of Nepal's estimated potential of 80,000 MW.
* Projects in the North East (e.g. Siang Hydro project in AP) and in the North (HP, Uttaranchal, J&K).
* Enhance transmission capacity of facilitate flexibility of energy transfer—especially on the East—North and East—West Corridors.
* The Tala Project could be used as a PPP modal.

* Reform distribution to energize investment in generation by:

* Dividing state distcoms into manageable sized business units; operate on commercial lines with transitional support for pre-determined period.

* Encouraging PPPs in distcoms based on the Delhi model.

* Ensure Regulator autonomy.

(it is suggested that Power be considered by the Government as a National Thrust Area—outlined in the Looking Ahead section on page 45)

Coal

* Investment Goal—$ 15 billion by 2010

Given India's large reserves of 240 billion tonnes, it is assumed that coal would be the major source of energy, especially for power generation. Despite its vast reserves, India produces only 360 Mtpa of coal. An investment of about $ 30—40 billion is required over the next 10 years ($ 15 billion by 2010) for India to double its annual coal production apart from modernizing existing mines and developing related infrastructure. Current visibility on investments in this sector is less than $ 2.5 billion.

Impediments

* Monopoly of CIL is the largest impediment to investment in this sector. The dominant incumbent is not only perceived to be inefficient, but also carries a poor record of quality, quantity and on-time delivery of coal.

* Restrictions on private and foreign investment (except for captive consumption)

Recommendations

* Carve out specified viable mining blocks from Coal India Ltd. (CIL) for captive exploitation. Alternatively, encourage the subsidiaries of CIL to induct strategic partners from leading mining companies—partners could develop existing blocks on a production share basis.

* Offer all mines that have been closed by CIL to the private sector— in case there are viable recoverable reserves.

* Adapt the NELP model for private sector participation in Coal mining by offering good quality coal blocks for bids:

* As in NELP award to be based on a quantitative evaluation of financial package/bid, technical capability, financial capability and work programme.

* Fixed Royalty payments per tonne extracted, as currently notified, to be offset against upfront bid amount.

* Institute a use or loose policy for all blocks, to prevent hoarding and ensure best competitive use.

* Permit 50% FDI under the automatic route.

* Permit merchant sale of coal by coal mines.

Oil & Gas

*** Investment Goal— $ 30—35 billion by 2010**

India imports over 65% of its crude oil and almost 45% of its gas— with demand growing at 6-7% p.a. An equitable and sustainable policy regime with an independent regulator needs to be put in place to enhance private investment and especially FDI. While the refinery segment is expected to see large investment, areas such as gas pipelines and city gas distribution need greater investment. An estimated $ 30 billion across all elements of the value chain (E&P: $7-8 billion, Refining: $ 10—12 billion, Retail $ 2-3 billion and Gas Distribution: $ 5 billion) is required to meet the expected demand in this sector over the next 5 years. Current commitments and plants account for only $ 13.3 billion.

Impediments

* Administered pricing mechanism resulting in distortions in pricing and unpredictable returns.

* Dominance of PSUs at all points in the value chain-perceived lack of a level playing field as policies appear to favour PSU incumbents.

* Restriction on FDI/minimum investments clauses especially in marketing.

Recommendations

* Permit 100% FDI under automatic route in all segments of the value chain from Petroleum and Natural Gas exploration to retailing without subsequent divestment of 26% or any upstream investment criteria.

* Tender and award City Gas Distribution (CGD) licences for Local Distribution Companies to invest in retail gas grid/distribution networks.

* Offer CGD in cities through competitive bidding; use the Phased Competition model.

* Enact Petroleum and Natural Gas Board Bill and the Natural Gas Pipelines Policy

* Set up Regulatory speedily, thereafter

* Phase out APM—subsidy for LPG and Kerosene should be funded by a surcharge on all refining output, both in the Public as well as private sector units.

Roads

*** Investment Goal—$ 25—30 billion by 2010**

Execution of the NHDP needs to be speeded up. Greater efforts need to be made to attract large international investors and contractors— by better outreach, offering tender blocks that are large and with specifications that ensure long term quality of the assets created. Excluding development of rural roads and the North East Road Development Project, this sector requires investment of about $ 30 billion, spanning completion of NHDP project ($ 15—18 billion), expansion of express—ways ($ 4-5 billion) and development of urban roads ($ 4-5 billion) over the next 5 years. Based on existing plans, an investment of $ 20 billion seems likely.

Impediments

* The projects for road development and maintenance are too small (=100 km) to attract major international bidders and strategic investors.

Recommendations

* Award BOT, for NHDP-III, IV and parts of II, in larger blocks of at least 300—500 km stretches rather than sub 100 km stretches so as to attract strategic investors and enable better/ faster implementation.

* Initiate an outreach programme, as for NELP, to attract international bidders/investors

* Privatize maintenance of highways.

Ports

* **Investment Goal—$ 8—10 billion by 2010**

With significant success in attracting domestic and foreign private investment, this sector should be subject to minimal regulation/ restrictions with the focus on creating opportunities for greater investment and competition. The National Martime Development Project (NMDP) is an ambitious plan for upgradation of Major and Minor Ports, based on which the sector will require investment of over $ 15—17 billion over the next 10 years and over $ 8 billion in the next 5 years to grow cargo handled at 8% p.a. Based on current plans, an investment of only about $ 5 billion seems likely.

Impediments

* Price controls by Tariff Authority of Major Ports (TAMP)

* Poor connectivity of road and rail; monopoly of railways/ CONCOR on movement of container traffic.

Recommendations

* Complete transition of all Major Ports to landlord ports by outsourcing port activities to private operators.

* Put Minor Ports up for re-bid if no development after 3 years from award.

* Convert Tariff Authority of Major Ports (TAMP) into a Regulator.

* Free up tariff setting—interventions restricted to abuse of pricing power.

* Regulator to smoothen relationship between operators and landlord ports *e.g.* in disputes arising out of calculation of revenue in revenue sharing model.

* Implement proposed of monopoly of railways/CONCOR on movement of container traffic.

Civil Aviation & Airports

***Investment Goal—$ 15—17 billion by 2010**

Rapid growth in passenger and cargo traffic can be sustained only if there is significant improvement in aviation infrastructure. Delays in execution of green-field airports and leasing of existing airports are unaffordable. Apart from green-field airports at Hyderabad, Bangalore, Navi Mumbai, Ludhiana, Pune and Goa, the sector also requires investments in up-gradation and modernization of about 30 major airports which account for over 95% of the country's aviation traffic. The visibility of investments currently is only about 20% of the total requirement of about $ 15 billion over the next 5 years.

Impediments

* Lack of transparency and consistency in tender conditions and project execution.

* Inordinate delay between decision to set up a green-field airport and its financial closure.

Recommendations

* Permit 100% FDI in green-field airports

* Invite bids for green-field airports in select cities based on demand forecasts.

* E.g. Navi Mumbai, NODIA, Nagpur, Goa, Ludhiana

* Implement privatization of Chennai and Kolkata expeditiously.

* Incorporate learnings from Delhi/Mumbai tenders.

* From SPVs for the next 10 large airports (mix of city and resort destinations) and privatize-provide viability gap funding where required.

* Ensure developers have adequate experience and develop world-class facilities for all airports (green-field as well as up-gradation and modernization of existing).

* Modernize Air Traffic Control (ATC) systems and enhance capabilities of personnel.

* Ensure airport facilities and ATC are comparable to best in class airports like Singapore, Dubai, Hong Kong etc.

* Remove restrictions on foreign ownership in domestic airlines.

* Complete "open skies" at the earliest (as done with the US) with all other key markets e.g. UK, Singapore — no seasonal 'window', no restrictions.

* Reduce cost of ATF to international levels.

Telecom

* **Investment Goal - $22 billion by 2010**

The telecom sector is the back-bone for sustaining India's growth momentum in service including IT and IteS. This sector needs to cater to the needs to over 150 million new subscribers in addition to the existing 100 million subscribers over the next 5 years. This would require an investment of over $ 20 billion. Achieving the investment goal (with a large FDI component anticipated) is contingent on a fair and transparent long term policy regime.

Impediments

* Lack of an equitable and sustainable policy environment.

* Lack of regulator independence leading to a perceived absence of a level playing field

* FDI regulations and other conditionalities seen to be detrimental to increased investment.

Recommendations

* Allow 74% FDI under the automatic route without additional conditionalities.
* Encourage new service (e.g. Mobile Virtual Network Operators (MVNOs), and more efficient utilisation of existing infrastructure (e.g. through local loop unbundling), while ensuring a level playing field and "non worse off' situation for existing telecom service licencees.
* Establish an equitable and sustainable spectrum policy.
* Establish an equitable policy covering incumbent and private service providers' operations and growth.
* Align levies and fees on telecom with international benchmarks, especially in the Asian region.
* Ensure Regulator autonomy.

Crop loans to farmers

1553. SHRI M.V. MYSURA REDDY: Will the Minister of FINANCE be pleased to state:

(a) the total crop loans provided to farmers in 2005-06 by Co-operative Banks, Nationalized Banks, Regional Rural Banks and private Banks in each State;

(b) whether ail banks credited 2 per cent interest rebate to farmers accounts before 31st March, 2006 as per NABARD instructions;

(c) if so, the total amount released by Central Government to States under Central Government 2 per cent interest rebate scheme;

(d) whether any State adjusted 2 per cent Central Government interest rebate to its own interest rebate scheme; and

(e) if so, whether Government would give clear-cut instructions to States; so that misappropriation of Central Government funds does not take place?